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DEXIN CHINA HOLDINGS COMPANY LIMITED

德信中国控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

(Stock Code: 2019)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Group is headquartered in Hangzhou, Zhejiang Province of China. Under the influence of the novel coronavirus (COVID-19) epidemic and travel restrictions in force in parts of China, certain audit procedures required to be conducted by the auditors of the Company (the “**Auditors**”) cannot be completed by the date of this announcement. The unaudited results for the year ended 31 December 2021 contained herein have not been agreed with the Auditors as required under Rule 13.49(2) of the Listing Rules. The unaudited annual results in this announcement have been reviewed and agreed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS

- Contracted sales amounted to approximately RMB73,980 million for the year ended 31 December 2021 with a total sales area of approximately 3,492,000 sq.m., representing a year-on-year increase of approximately 16.4% and 12.1%, respectively, as compared to the year ended 31 December 2020.
- Revenue for the year ended 31 December 2021 amounted to approximately RMB23,109 million, representing a year-on-year increase of approximately 45.6% as compared to the year ended 31 December 2020.
- For the year ended 31 December 2021, the gross profit amounted to approximately RMB5,011 million, representing a year-on-year increase of approximately 22.0% as compared to the year ended 31 December 2020.
- For the year ended 31 December 2021, the core profit amounted to approximately RMB3,499 million, representing a year-on-year increase of 16.1% as compared to the year ended 31 December 2020.
- As of 31 December 2021, cash and cash equivalents and restricted cash amounted to approximately RMB17,563 million (31 December 2020: approximately RMB15,648 million), representing a year-on-year increase of approximately 12.2% as compared to the year ended 31 December 2020.
- The declaration and payment of a final dividend for the year ended 31 December 2021 will be announced in the 2021 audited annual results announcement, if any.

UNAUDITED FINAL RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Dexin China Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2020.

The consolidated annual results for the Reporting Period have not been audited or reviewed by the Auditors. In addition, the consolidated annual results for the Reporting Period have not been agreed by the Auditors as required under Rule 13.49(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As a result of the travel, logistics and other restrictions imposed in response to the recent COVID-19 outbreak in Mainland China and Hong Kong, the auditing process of the Group has not been completed as scheduled, mainly in respect of the confirmation procedures in connection with banks, customers, suppliers, partners and other parties. The express services in certain major cities in Mainland China (such as Hangzhou and Shanghai) where the Group operated and Hong Kong were closed. Staff of the Group at various places had been isolated at home or offices had been locked up for a long time. Certain subsidiaries had problems in affixing their corporate chops, which had resulted in the delay in issuing confirmation letters. Meanwhile, the receipt of confirmation letters from banks, customers, suppliers, partners and other parties was uncontrollable, which had resulted in the delay in the confirmation procedures. In addition, the Company will make further announcement(s) as and when necessary if there are other material developments in relation to the completion of the auditing process.

The unaudited consolidated annual results for the Reporting Period have been reviewed and agreed by the Audit Committee.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
Revenue	3	23,109,068	15,874,124
Cost of sales		(18,098,281)	(11,766,517)
Gross profit		5,010,787	4,107,607
Other income	5	159,714	125,699
Other losses – net	6	(99,173)	(8,264)
Selling and marketing expenses	4	(650,897)	(457,854)
Administrative expenses	4	(892,915)	(746,665)
Fair value gains/(losses) on investment properties		54,343	(26,666)
Operating profit		3,581,859	2,993,857
Finance income	7	134,197	69,502
Finance costs	7	(392,962)	(550,787)
Finance costs – net		(258,765)	(481,285)
Share of results of joint ventures and associates		291,079	592,888
Profit before income tax		3,614,173	3,105,460
Income tax expenses	8	(1,237,433)	(844,965)
Profit for the year		2,376,740	2,260,495
Profit attributable to:			
Owners of the Company		941,456	1,192,502
Non-controlling interests		1,435,284	1,067,993
		2,376,740	2,260,495
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	10	0.35	0.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Profit for the year	2,376,740	2,260,495
Other comprehensive income	—	—
Total comprehensive income for the year	2,376,740	2,260,495
Attributable to:		
Owners of the Company	941,456	1,192,502
Non-controlling interests	1,435,284	1,067,993
	2,376,740	2,260,495

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	RMB'000 (unaudited)	RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,102,784	511,369
Investment properties		5,003,804	3,478,381
Intangible assets		566	956
Investments accounted for using the equity method		5,787,674	5,402,191
Financial assets at fair value through profit or loss		110,123	93,157
Deferred income tax assets		793,881	772,325
Trade and other receivables and prepayments	12	32,909	79,301
Amounts due from related parties		47,631	–
		<u>12,879,372</u>	<u>10,337,680</u>
Current assets			
Properties under development		62,419,190	49,429,752
Completed properties held for sale		1,253,282	1,524,348
Trade and other receivables and prepayments	12	3,527,330	4,637,845
Amounts due from non-controlling interests		12,455,464	8,695,353
Amounts due from related parties		5,088,558	5,033,402
Contract acquisition costs		355,227	190,517
Prepaid income taxes		1,564,196	996,416
Financial assets at fair value through profit or loss		200,918	109,768
Cash and cash equivalents and restricted cash	11	17,563,197	15,648,220
		<u>104,427,362</u>	<u>86,265,621</u>
Total assets		<u>117,306,734</u>	<u>96,603,301</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	14	9,200	9,200
Reserves		6,065,015	5,836,082
		<u>6,074,215</u>	<u>5,845,282</u>
Non-controlling interests		15,993,290	10,765,522
Total equity		<u>22,067,505</u>	<u>16,610,804</u>

	As at 31 December	
	2021	2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
LIABILITIES		
Non-current liabilities		
Borrowings from bank and other financial institutions	15,132,764	16,949,610
Amounts due to non-controlling interests	99,990	26,318
Deferred income tax liabilities	273,336	208,528
Lease liabilities	9,898	471,566
	15,515,988	17,656,022
Current liabilities		
Borrowings from bank and other financial institutions	15,764,081	8,738,454
Trade and other payables	8,289,104	7,182,058
Amounts due to non-controlling interests	2,760,120	5,748,068
Amounts due to related parties	6,941,681	7,082,019
Contract liabilities	44,577,856	32,309,337
Current income tax liabilities	1,387,038	1,269,148
Lease liabilities	3,361	7,391
	79,723,241	62,336,475
Total liabilities	95,239,229	79,992,497
Total equity and liabilities	117,306,734	96,603,301

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Dexin China Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in the property development and construction services, property investment and hotel operations in the People’s Republic of China (the “**PRC**” or “**China**”).

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 February 2019.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

(iii) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2021 and there is no material impact on the Group’s consolidated financial statement:

- Interest Rate Benchmark Reform -Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

(iv) New standards, amendments to standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The adoption of the new and amended standards and interpretation did not have a material impact on the consolidated financial statements of the Group.

- (v) The Group has changed the presentation of certain financial statement line items in the consolidated income statement as at 31 December 2021 so as to provide more relevant information to the understanding of the financial statement users to the Group's business. Accordingly, the comparative amounts, including as at the beginning of the preceding period, have been reclassified and re-presented as below.

Consolidated income statement (Extract)	Year ended		Year ended 31
	31 December 2020 Originally presented	Reclassification	December 2020 Re-presented
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Revenue	15,668,775	205,349	15,874,124
Other income	331,048	(205,349)	125,699

3. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-makers ("CODM"). Management has determined the operating segments based on the reports reviewed by the executive directors, which are used to allocate resources and assess performance. The Group is organised into three business segments: property development and construction, property investment, and other businesses. Other businesses mainly include hotel operations. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results, which is a measure of revenue and gross profit of each operating segment.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 (unaudited) is as follows:

	Property development and construction <i>RMB'000</i>	Property investment <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers	22,934,848	–	33,630	–	22,968,478
Revenue from other sources – Rental income	–	140,590	–	–	140,590
Segment revenue	22,934,848	140,590	33,630	–	23,109,068
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	22,934,848	140,590	33,630	–	23,109,068
Gross profit	4,881,713	120,341	8,733	–	5,010,787
Other income					159,714
Other losses – net					(99,173)
Selling and marketing expenses					(650,897)
Administrative expenses					(892,915)
Fair value gain on investment properties	–	54,343	–	–	54,343
Finance costs – net					(258,765)
Share of results of joint ventures and associates	291,079	–	–	–	291,079
Profit before income tax					3,614,173
Income tax expenses					(1,237,433)
Profit for the year					2,376,740
Depreciation and amortisation	26,028	–	10,329	–	36,357
Segment assets	108,969,840	5,860,580	1,371,392	1,104,922	117,306,734
Segment liabilities	57,590,415	4,191,189	900,406	32,557,219	95,239,229
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>1,280,465</u>	<u>793,610</u>	<u>641,922</u>	<u>–</u>	<u>2,715,997</u>

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2020 (audited) is as follows:

	Property development and construction <i>RMB'000</i>	Property investment <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers	15,755,704	–	18,003	–	15,773,707
Revenue from other sources: Rental income	–	100,417	–	–	100,417
Segment revenue	15,755,704	100,417	18,003	–	15,874,124
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	15,755,704	100,417	18,003	–	15,874,124
Gross profit	4,017,101	79,825	10,681	–	4,107,607
Other income					125,699
Other losses – net					(8,264)
Selling and marketing expenses					(457,854)
Administrative expenses					(746,665)
Fair value gains on investment properties	–	(26,666)	–	–	(26,666)
Finance costs – net					(481,285)
Share of results of joint ventures and associates	592,888	–	–	–	592,888
Profit before income tax					3,105,460
Income tax expenses					(844,965)
Profit for the year					2,260,495
Depreciation and amortisation	20,776	–	6,909	–	27,685
Segment assets	90,808,155	4,219,263	600,633	975,250	96,603,301
Segment liabilities	50,073,185	2,441,150	312,422	27,165,740	79,992,497
Additions to non-current assets (other than financial instruments and deferred income tax assets)	3,354,637	580,932	173,341	–	4,108,910

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Segment assets	116,201,812	95,628,051
Unallocated:		
Financial assets at fair value through profit or loss	311,041	202,925
Deferred income tax assets	793,881	772,325
Total assets per consolidated balance sheet	<u>117,306,734</u>	<u>96,603,301</u>

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Segment liabilities	62,682,010	52,826,757
Unallocated:		
Deferred income tax liabilities	273,336	208,528
Current income tax liabilities	1,387,038	1,269,148
Borrowings	30,896,845	25,688,064
Total liabilities per consolidated balance sheet	<u>95,239,229</u>	<u>79,992,497</u>

4. EXPENSES BY NATURE

	Year ended 31 December	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Cost of properties sold – including construction cost, land cost, capitalised interest expenses	17,619,773	11,657,537
Cost of construction services and others	374,200	22,655
Other taxes expenses	141,611	109,191
Staff costs (including directors' emoluments)	679,144	534,248
Marketing and advertising costs	276,894	179,331
Consulting and project management fees	148,309	132,050
Property management fees	82,210	58,797
Office lease payments	21,446	24,040
Entertainment expenses	38,272	35,826
Office and travelling expenses	68,703	50,484
Depreciation	34,186	26,959
Net impairment losses on financial assets	29,611	9,202
Amortisation of intangible assets	717	726
Auditors' remuneration	6,700	6,900
– Audit services	5,950	5,450
– Non-audit services	750	1,450
	<u>17,619,773</u>	<u>11,657,537</u>

5. OTHER INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Interest income from related parties and third parties	103,164	97,745
Income from providing repayment guarantee for the borrowing of joint ventures and associates	25,828	–
Others	30,722	27,954
	159,714	125,699

6. OTHER LOSSES – NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Gains on disposal of subsidiaries	12,651	24,451
(Losses)/gains on financial assets at fair value through profit or loss	(68,180)	17,948
Exchange losses	(37,535)	(56,380)
Others	(6,109)	5,717
	(99,173)	(8,264)

7. FINANCE COSTS – NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Finance costs		
– Borrowings from bank and other financial institutions	2,610,082	1,630,676
– Amounts due to non-controlling interests, related parties and third parties	76,175	265,344
– Interest for lease liabilities	21,490	32,080
– Net exchange gains on financing activities	(83,271)	(206,223)
– Less: capitalised interest	(2,231,514)	(1,171,090)
	392,962	550,787
Finance income		
Interest income from		
– Bank deposits	(134,197)	(69,502)
	(134,197)	(69,502)
Finance costs – net	258,765	481,285

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Current income tax:		
– PRC corporate income tax	970,117	702,987
– PRC land appreciation tax	274,946	180,654
	1,245,063	883,641
Deferred income tax:		
– PRC corporate income tax	(7,630)	(38,676)
	(7,630)	(38,676)
	1,237,433	844,965

PRC corporate income tax

The income tax provision of the Group in respect of operations in PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the BVI Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax. The Group's subsidiaries in Hong Kong are subject to profits tax at the rate of 16.5%.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the PRC.

9. DIVIDEND

The proposed final dividend for the year ended 31 December 2021 (if any) is subject to (i) the audited annual results of the Group for the year ended 31 December 2021 upon completion of the auditing process and (ii) the approval of the Company's shareholders at the forthcoming annual general meeting.

At the board of directors' meeting held on 25 March 2021, the directors of the Company proposed a final dividend for the year ended 31 December 2020 of RMB0.11 per ordinary share amounting to approximately RMB297,148,000 out of share premium account of the Company. The final dividends were paid in September 2021.

10. EARNINGS PER SHARE

	Year ended 31 December	
	2021	2020
	(unaudited)	(audited)
Profit attributable to owners of the Company (RMB'000)	941,456	1,192,502
Weighted average number of ordinary shares in issue (in thousand)	2,701,341	2,701,341
Basic earnings per share (RMB per share)	<u>0.35</u>	<u>0.44</u>

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

11. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

As at 31 December 2021, items in the cash and cash equivalents and restricted cash balance includes (i) guarantee deposits for construction of pre-sold properties of RMB5,827,040,000, and (ii) guarantee deposits for bank borrowings and bank acceptance notes of RMB1,421,998,000.

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Trade receivables, net of provision (<i>Note</i>)	248,150	113,753
Other receivables	1,288,198	1,623,282
Prepayments	2,032,891	2,980,111
Total trade and other receivables and prepayments	3,560,239	4,717,146
Less: non-current portion of trade and other receivables and prepayments	(32,909)	(79,301)
Current portion of trade and other receivables and prepayments	3,527,330	4,637,845

Note: Trade receivables mainly arise from sales of properties and construction services. Proceeds from sales of properties and construction services are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

- (a) The ageing analysis of the gross trade receivables based on invoice dates or contractual terms is as follows:

	As at 31 December	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Within 90 days	202,336	42,945
Over 90 days and within 365 days	21,849	14,743
Over 365 days and within 2 years	11,081	24,896
Over 2 years	14,512	33,813
	249,778	116,397

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Trade payables (<i>Note (a)</i>)	3,014,607	2,186,111
Note payables	372,212	572,500
Other payables	4,902,285	4,423,447
Total trade and other payables	<u>8,289,104</u>	<u>7,182,058</u>

(a) The ageing analysis of the trade payables based on invoice dates or contractual terms is as follows:

	As at 31 December	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Within 90 days	1,709,414	1,306,681
Over 90 days and within 365 days	1,168,477	809,537
Over 365 days	136,716	69,893
	<u>3,014,607</u>	<u>2,186,111</u>

14. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>USD</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>
Authorised:			
As at 1 January 2021 and 31 December 2021 (unaudited)	<u>5,000,000,000</u>	<u>2,500,000</u>	
Issued:			
As at 1 January 2021 and 31 December 2021 (unaudited)	<u>2,701,341,000</u>	<u>1,350,671</u>	<u>9,200</u>

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In 2021, due to recurrence of COVID-19, governments of various countries were committed to fighting against the pandemic. China is one of the few countries whose overall economy has rebounded to the pre-pandemic level during the pandemic. According to the National Bureau of Statistics of the PRC (the “**National Bureau of Statistics**”), China’s gross domestic product (“**GDP**”) in 2021 amounted to RMB114,367 billion, representing a year-on-year increase of 8.1%, showing a stable economic growth.

In the first half of 2021, the overall sales in the real estate market were prosperous, while the overall demand in the domestic real estate market in the second half of 2021 was weak, recording lower sales growth as compared to the first half of 2021. For the year ended 31 December 2021, as shown by statistics from the National Bureau of Statistics, total floor area of commercial housing sold increased by 1.9% year-on-year to 1,794.33 million sq.m.; average selling price of commercial housing increased by 2.8% year-on-year to approximately RMB10,139 per sq.m.; and total sales amounted to approximately RMB18.19 trillion. Generally speaking, sales in the real estate market in China were still showing an upward trend as compared to the year ended 31 December 2020.

In respect of real estate policies, the central government was determined to pursue the policy that “houses are for living in and not for speculative investment” and the “three stabilisations” policy for stabilizing the land premium, house price and market expectations. Meanwhile, the central government accelerated the establishment of a housing system with multiple house suppliers, various guarantee channels, and houses for rent and purchase. The efforts aimed to establish an effective system and assist the long-term, stable and sound development of the real estate industry. At the same time, regulators implemented a prudent financial management system for the real estate industry, to promote better flow of financial resources to the key areas and weak links of the real economy. Regulated with the policy of “centralized land supply”, the investment transparency of land market improved, and real estate companies need higher financial management and operation capacity. In general, under the influence of the central government, funds and market policies, the industry is expected to remain stable on the whole.

The year 2021 is the third year since the Group’s listing (the “**Listing**”). With the support of shareholders and the unremitting efforts of employees, the Group has insisted on optimizing and diversifying its business development strategy, while constantly improving its corporate strength. In the first half of 2021, the Group further improved its revenue scale and profitability by virtue of nationwide layout, high quality land reserves, efficient operations, targeted strategies and high-quality products, achieving total revenue of RMB23,109.1 million and gross profit of RMB5,010.8 million, a period-on-period growth of 45.6% and 22.0% respectively, with a core profit of RMB3,499.3 million, a period-on-period growth of 16.1%. The sales performance is also excellent, achieving full-caliber sales of RMB73,980.0 million in 2021, a year-on-year increase of 16.4%, reflecting the market’s high recognition of the products and services of the Group.

In terms of expansion of land reserves, in 2021, the Company acquired 32 land parcels with an increased total gross floor area (“**GFA**”) of approximately 5.81 million sq.m. and 67% were located in first- and second-tier cities. As of 31 December 2021, the Group operated a total of 163 projects in 27 cities. As at the end of the Reporting Period, the total land reserves of approximately 19.13 million sq.m. further consolidated the strategic layout in the four core metropolitan areas, namely, the Yangtze River Delta, Pearl River Delta, Chengdu-Chongqing Double-city and the Middle Reaches of the Yangtze River Economic Belt.

BUSINESS REVIEW

The Group derives its revenue primarily from sales of properties and, to a lesser extent, property construction and project management services, lease of commercial properties and hotel operations. For the year ended 31 December 2021, the Group recorded a total revenue of approximately RMB23,109.1 million, representing a year-on-year increase of approximately 45.6%.

Contracted sales

For the year ended 31 December 2021, including those of joint ventures and associates, the Group recorded contracted sales of approximately RMB73,980 million, representing a year-on-year increase of approximately 16.4%, and contracted GFA sales of approximately 3,492,000 sq.m., representing a year-on-year increase of approximately 12.1%. The average selling price (“ASP”) of our contracted sales for the year ended 31 December 2021 was approximately RMB21,185.6 per sq.m., representing a year-on-year increase of approximately 3.8%.

Sales of properties

For the year ended 31 December 2021, the revenue from sales of properties increased by approximately 43.5% year-on-year to approximately RMB22,269.3 million, accounting for approximately 96.4% of the total revenue of the Group. For the year ended 31 December 2021, the Group recognised total GFA of approximately 1,301,740 sq.m., representing an increase of approximately 23.2% as compared to the year ended 31 December 2020. The ASP of the properties recognised as property sales was approximately RMB17,107 per sq.m., representing an increase of approximately 16.5% year-on-year. The increase of ASP was mainly due to the significant increase in the recognised GFA of areas with higher ASP.

Based in Zhejiang Province, the Group focused on the Yangtze River Delta and extended to key hub cities of China.

The following table sets out the recognised sales and GFA sold of each city for the year ended 31 December 2021:

City	Recognised GFA <i>sq.m.</i>	Recognised ASP <i>RMB/sq.m.</i>	Recognised revenue <i>RMB'000</i>
Hangzhou	279,822	25,909	7,249,843
Ningbo	204,430	23,159	4,734,434
Wenzhou	339,160	13,597	4,611,721
Huzhou	149,726	18,716	2,802,327
Shangrao	212,051	6,966	1,477,062
Wuhan	40,478	9,876	399,756
Xuzhou	23,942	15,210	364,159
Taizhou	30,962	11,093	343,458
Nanjing	21,169	13,537	286,571
Total	<u>1,301,740</u>	<u>17,107</u>	<u>22,269,331</u>

Note:

Recognised revenue in the above table includes the revenue from residences, commercial spaces, car parks and storage spaces, and recognised GFA does not include the GFA of car parks and storage spaces.

Property construction and project management services

For the year ended 31 December 2021, the revenue from property construction and project management services increased by approximately 1,086.2% year-on-year to approximately RMB437.7 million, accounting for approximately 1.9% of the total revenue of the Group. The increase was primarily attributable to an increase in the volume of our construction and project management services.

Management and consulting service income

For the year ended 31 December 2021, the revenue from management and consulting service income increased by approximately 11.0% year-on-year to approximately RMB227.8 million, accounting for approximately 1.0% of the total revenue of the Group. The increase was primarily attributable to (i) an increase in the number of joint ventures and associates to which the services were provided for the year ended 31 December 2021 as compared to the previous year; and (ii) the larger scale of certain projects of joint ventures and associates served for the year ended 31 December 2021 as compared to the previous year.

Lease of commercial properties

For the year ended 31 December 2021, the revenue from rental income increased by approximately 40.0% year-on-year to approximately RMB140.6 million, accounting for approximately 0.6% of the total revenue of the Group. The increase was primarily attributable to the leasing out of Hangzhou ONE (杭州ONE) tenants in Hangzhou during the year while there was no GFA leased out in the corresponding period in 2020.

Hotel operations

For the year ended 31 December 2021, the revenue from hotel operations increased by approximately 86.8% year-on-year to approximately RMB33.6 million, accounting for approximately 0.1% of the total revenue of the Group. The increase was primarily attributable to the increase of occupancy rate for the year ended 31 December 2021 as compared to the previous year.

Investment properties

The following table sets out a summary of the Group's investment properties as at 31 December 2021:

City	Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income for the year ended December 31,	
				2021 (RMB'000)	2020 (RMB'000)
Hangzhou					
1	Artificial Intelligence Industrial Park	75,634	64,013	68,187	64,375
2	Elegant Mansion	33,278	–	–	–
3	Sky City Phase I	41,422	36,664	–	–
4	Hangzhou ONE	17,536	17,536	9,553	–
5	Hangzhou Wings	24,865	11,326	10,150	6,242
6	Dexin Konggang City (Note 1)	107,345	–	–	–
7	Sky City Apartment	11,224	–	–	–
8	Binwangzhichen (Note 1)	12,740	–	–	–
9	Fuchunyunzhuang (Note 1)	2,062	–	–	–
10	Dexin Center (Note 1)	21,000	–	–	–
Huzhou					
11	Delan Square	13,082	7,828	3,598	3,871
Xuzhou					
12	Sky Scraper A	21,417	18,012	2,024	379
13	Sky Scraper B	51,274	9,588	3,686	2,789
14	Sky Scraper Hongjun and Zijun	11,727	9,718	1,300	–
Taizhou					
15	Shenxian Garden (Note 2)	51,663	7,544	356	264
Shanghai					
16	Shanghai Songjiang Industrial Park	58,176	34,389	2,173	2,982
Nanjing					
17	Nanjing Xianlinzhigu Industrial Park	60,510	–	–	–
		614,955	189,363	101,027	80,902
	Other rental income			39,563	19,515
Total				140,590	100,417

Note 1: As at 31 December 2021, the property was under development.

Note 2: As at 31 December 2021, part of the property was under development.

The Group will further improve the efficiency in development and operation of its investment properties to ensure stable rental income growth, and to strengthen earnings sustainability.

Land reserves

Leveraging on the Group's deep understanding of the property markets in our key development areas and intensive studies on its target cities, the Group continued to strategically select and acquire parcels of land at strategic and advantageous locations in those regions and cities in order to further develop the Group's presence in those markets. As of 31 December 2021, the Group (together with its joint ventures and associates) had 163 projects with land reserves amounting to approximately 19,130,180 sq.m., of which 138 projects were located in the Yangtze River Delta Region, and the remaining 25 projects were located in the Pearl River Delta, Chengdu-Chongqing economic areas, the economic belt of middle reaches of Yangtze River and other regions.

The following table sets out the GFA of the Group's land reserves (together with its joint ventures and associates) by geographical locations as of 31 December 2021:

City	Total Land reserves GFA (sq.m.)	Percentage of total land bank (%)
Hangzhou	5,330,617	27.9%
Wenzhou	1,888,952	9.9%
Ningbo	1,718,866	9.0%
Chengdu	1,516,876	7.9%
Nanjing	1,311,912	6.9%
Taizhou	1,096,364	5.7%
Xuzhou	1,001,947	5.2%
Jiujiang	840,380	4.4%
Huzhou	811,582	4.2%
Wuhan	664,209	3.5%
Foshan	375,890	2.0%
Quzhou	368,982	1.9%
Guangzhou	360,334	1.9%
Zhengzhou	311,132	1.6%
Jingjiang	242,981	1.3%
Wuhu	212,875	1.1%
Shanghai	210,063	1.1%
Zhangzhou	201,039	1.1%
Kunshan	156,153	0.8%
Zhoushan	129,161	0.7%
Xian	124,221	0.6%
Suzhou	100,012	0.5%
Wuxi	87,390	0.5%
Shangrao	44,317	0.2%
New Jersey, U.S.	17,583	0.1%
Changzhou	5,609	0.0%
Jinhua	735	0.0%
Total	19,130,180	100.0%

For the year ended 31 December 2021, the Group (together with its joint ventures and associates) acquired 32 parcels of quality land primarily in Hangzhou, Wenzhou, Huzhou, Ningbo, Nanjing, Wuhan, Chengdu, Guangzhou, Taizhou, and Zhengzhou, providing a total saleable GFA of new land reserves of approximately 5,810,625 sq.m., at an average land cost of approximately RMB5,550.9 per sq.m..

Particulars of the land parcels are set out in the following table:

No.	Name of Project	City	The Group's Equity Interest	GFA (sq.m.)	Attributable Consideration (RMB' 000)	Average Land Cost (RMB/sq.m.)
1	Binwang Zhichen	Hangzhou	66.69%	150,603	557,255	5,548.3
2	Chengdu Dayi Project	Chengdu	60.00%	108,552	138,867	2,132.1
3	Hangzhou Dingqiao Project	Hangzhou	34.65%	174,487	513,523	8,493.6
4	Tianjiao Zhichen	Chengdu	50.00%	75,243	325,074	8,640.7
5	Hangzhou Beiganxi Project	Hangzhou	20.00%	40,863	148,168	18,129.8
6	Wenchen Mansion	Ningbo	46.42%	85,605	421,942	10,618.1
7	Taizhou Xin Fei Long Hu Project	Taizhou	40.00%	236,370	975,200	10,314.3
8	Yunchen Mansion	Ningbo	87.50%	22,928	58,100	2,896.0
9	Wuhan East and West Lake Land Parcel	Wuhan	49.24%	254,610	472,704	3,770.5
10	Changshan Land Parcel	Quzhou	45.95%	201,132	337,273	3,649.3
11	Zhongyi Ningbo Ecological Garden Land Parcel	Ningbo	45.23%	578,973	207,153	791.1
12	Tonglu Fuchun Future City Land Parcel	Hangzhou	75.25%	181,571	1,097,296	8,031.0
13	Qicai Weilai Community Project	Hangzhou	70.00%	323,295	1,016,260	4,490.6
14	Pingyang Kunyang Town No.AB Land Parcel	Wenzhou	37.14%	193,226	336,637	4,690.9
15	Wuhu City Dongwanchun Land Parcel	Wuhu	30.08%	212,875	349,624	5,400.5
16	53 acres of Yuyao Zhongyi Land Parcel	Ningbo	65.00%	97,566	76,053	1,199.2
17	Yunzhi Chenli	Quzhou	49.00%	157,758	463,393	5,994.6
18	Dali Town Land Parcel, Nanhai District	Foshan	27.44%	209,290	568,557	10,246.3
19	Huangpu Knowledge City E2 Land Parcel	Guangzhou	25.00%	95,777	299,055	13,030.2
20	Suoqian Unit XSCQ3005-25 Land Parcel	Hangzhou	90.30%	183,571	1,431,797	8,637.5
21	Wukang Street 2020-016 Land Parcel	Huzhou	94.43%	219,211	1,319,782	6,088.5
22	Shizi Tianmu West Land Parcel	Hangzhou	20.04%	113,587	154,000	6,498.3
23	Lishui Chengnan Land Parcel	Nanjing	29.00%	171,726	300,150	6,153.3
24	Zhangzhou Project	Zhangzhou	28.70%	201,039	379,437	6,292.3
25	64.4 acres of Qingbaijiang Project	Chengdu	50.00%	98,660	109,515	2,421.5
26	108 acres of Longquanyi Project	Chengdu	50.00%	225,187	651,535	5,786.6
27	Zhengzhou Project	Zhengzhou	32.50%	311,132	209,754	2,081.8
28	Nanxun Land Parcel	Huzhou	41.00%	240,365	360,390	3,656.9
29	Taizhou Guanlan Mansion	Taizhou	34.00%	246,722	99,620	1,187.6
30	Wenling Land Parcel	Taizhou	36.04%	206,682	720,800	9,676.7
31	Xinhe Village Laoshifang Land Parcel 1	Hangzhou	100.00%	133,976	635,680	4,744.7
32	Qiaoxi Gongchenqiao Unit GS0609-12 Land Parcel	Hangzhou	60.00%	58,043	542,020	23,345.7
				5,810,625	15,276,614	5,550.9

HONORS

During the Reporting Period, the Group won many honors and awards, including “China’s Top 10 Real Estate Companies in Annual Financial Performance 2021” (2021 年中國房地產企業年度財務表現 10 強), “China’s Top 10 Listed Real Estate Enterprises in Solvency 2021” (2021 年中國上市房企償債能力 TOP10), “Leading ESG Companies in Real Estate 2021” (2021 年度房地產行業 ESG 領先樣本企業) and “China’s Top 50 Real Estate Brand 2021” (2021 中國房地產品牌價值 50 強). The Group has won the title of “China’s Top 100 Real Estate Enterprises” for nine consecutive years, ranking the 55th in 2021. These honors and awards highlight the Group’s market position and indicate that the Group’s business development and performance have been widely recognized by the capital market and customers.

FINANCIAL REVIEW

Overall performance

During the year ended 31 December 2021, total revenue of the Group was approximately RMB23,109.1 million, representing a year-on-year increase of approximately 45.6%. Gross profit was approximately RMB5,010.8 million, representing a year-on-year increase of approximately 22.0%. Gross profit margin was approximately 21.7%, representing a year-on-year decrease of approximately 4.2 percentage points. Net profit of the Group increased by approximately 5.1% year-on-year to approximately RMB2,376.7 million for the year ended 31 December 2021. Profit attributable to owners of the Company decreased by approximately 21.1% year-on-year to approximately RMB941.5 million for the year ended 31 December 2021.

Revenue

For the year ended 31 December 2021, the Group recorded a total revenue of approximately RMB23,109.1 million, representing a year-on-year increase of approximately 45.6%. The increase was primarily attributable to the growth in recognised sales of properties, driven by an increase of the total GFA delivered to the buyers during the year. Specifically, revenue from the sales of properties was approximately RMB22,269.3 million, representing a year-on-year increase of approximately 43.5%, accounting for approximately 96.4% of the total revenue of the Group; revenue from property construction and project management services was approximately RMB437.7 million, representing a year-on-year increase of approximately 1,086.2%, accounting for approximately 1.9% of the total revenue of the Group; revenue from management and consulting services was approximately RMB227.8 million, representing a year-on-year increase of approximately 11.0%, accounting for approximately 1.0% of the total revenue of the Group; rental income from the lease of commercial properties was approximately RMB140.6 million, representing a year-on-year increase of approximately 40.0%, accounting for approximately 0.6% of the total revenue of the Group; and revenue from hotel operations was approximately RMB33.6 million, representing a year-on-year increase of approximately 86.8%, accounting for approximately 0.1% of the total revenue of the Group.

Cost of sales

The cost of sales of the Group primarily consists of the costs incurred directly in relation to the property development and sales activities, property construction and project management services, lease of commercial properties and hotel operations.

For the year ended 31 December 2021, the cost of sales of the Group was approximately RMB18,098.3 million, representing a year-on-year increase of approximately 53.8%.

Gross profit

For the year ended 31 December 2021, the gross profit of the Group was approximately RMB5,010.8 million, representing a year-on-year increase of approximately 22.0%. The increase was primarily attributable to the significant increase in revenue from sales of properties while overall gross profit margin decreased from approximately 25.9% for the year ended 31 December 2020 to approximately 21.7% for the year ended 31 December 2021. The decrease in overall gross profit margin by approximately 4.2 percentage points was mainly due to the lower land and construction cost incurred for projects delivered in 2020.

Other income

The Group had other income of approximately RMB159.7 million for the year ended 31 December 2021, as compared to approximately RMB125.7 million for the year ended 31 December 2020. The other income mainly included interest income from related parties and third parties of RMB103.2 million and income of guarantee provided for the borrowings of joint ventures and associates of RMB25.8 million, respectively (for the year ended 31 December 2020: interest income from related parties and third parties of RMB97.7 million and income of guarantee provided for the borrowings of joint ventures and associates of nil, respectively)

Other losses – net

The Group recorded net other losses of approximately RMB99.2 million for the year ended 31 December 2021 (for the year ended 31 December 2020: net other losses of approximately RMB8.3 million). The Group's net other losses for the year ended 31 December 2021 mainly included losses on financial assets at fair value through profit or loss of approximately RMB68.2 million, disposal gains of subsidiaries approximately RMB12.7 million and exchange losses of approximately RMB37.5 million. The Group's net other losses for the year ended 31 December 2020 mainly included gains on financial assets at fair value through profit or loss of approximately RMB17.9 million, disposal gains of subsidiaries approximately RMB24.5 million and exchange losses of approximately RMB56.4 million.

Fair value gains/(losses) on investment properties

The Group develops and holds certain of its commercial properties such as commercial centres, office buildings, shopping malls, serviced apartments and car parks for rental income or capital appreciation, or both. Any increase or decrease in the Group's investment property value is recognised as fair value gains or losses in the Group's consolidated financial statements.

For the year ended 31 December 2021, the Group recorded fair value gains on investment properties of approximately RMB54.3 million (for the year ended 31 December 2020: fair value losses on investment properties of approximately RMB26.7 million), which was primarily attributable to the fair value gains of Artificial Intelligence Industrial Park (A.I.產業園) of approximately RMB71.4 million while offset by the fair value losses of Hangzhou ONE (杭州 ONE) of approximately RMB12.2 million.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately 42.1% year-on-year from approximately RMB457.9 million for the year ended 31 December 2020 to approximately RMB650.9 million for the year ended 31 December 2021. Taking the selling and marketing expenses that were capitalized in contract acquisition costs into account, total selling and marketing expenses for the year ended 31 December 2021 increased, compared to the previous year. The increase was primarily attributable to rapid growth in the Group's contracted sales during the year.

Administrative expenses

The Group's administrative expenses increased by approximately 19.6% year-on-year from approximately RMB746.7 million for the year ended 31 December 2020 to approximately RMB892.9 million for the year ended 31 December 2021. The increase was primarily attributable to (i) the increase in staff costs; and (ii) the increase in other tax expenses driven by the increase in the Group's contracted sales during the year.

Finance costs – net

Finance costs of the Group decreased by approximately 46.2% year-on-year from approximately RMB481.3 million for the year ended 31 December 2020 to approximately RMB258.8 million for the year ended 31 December 2021. The decrease was primarily attributable to (i) decrease in net finance costs of interest-bearing debts, as increase in finance costs due to increase in interest-bearing debts was offset by significant increase in capitalized interest due to increase in projects under construction during the year ended 31 December 2021; and (ii) the increase of finance income for bank deposits from approximately RMB69.5 million for the year ended 31 December 2020 to approximately RMB134.2 million for the year ended 31 December 2021.

Share of results of joint ventures and associates

The Group accounts for the results of joint ventures and associates using the equity method, which mainly represent the share of profits related to the projects delivered during the relevant period that have been offset by losses incurred by other joint ventures and associates.

Share of profits of joint ventures and associates decreased by approximately 50.9% year-on-year from approximately RMB592.9 million for the year ended 31 December 2020 to approximately RMB291.1 million for the year ended 31 December 2021. The decrease was primarily attributable to (i) the decrease of average gross profit margin of the properties delivered by the joint ventures and associates during the year ended 31 December 2021 compared to the corresponding year in 2020 and hence the decrease of total net profits recognised by the joint ventures and associates and (ii) the decrease in average percentage of the Group's interests held in the joint ventures and associates which delivered properties during the year ended 31 December 2021 compared to the previous year.

Income tax expenses

Income tax expenses of the Group increased by approximately 46.4% year-on-year from approximately RMB845.0 million for the year ended 31 December 2020 to approximately RMB1,237.4 million for the year ended 31 December 2021, which was primarily attributable to the increase in the profit before tax (after excluding share of results of joint ventures and associates) during the year.

Profit and total comprehensive income for the year

As a result of the foregoing reasons, the Group's profit and total comprehensive income increased by approximately 5.1% from approximately RMB2,260.5 million for the year ended 31 December 2020 to approximately RMB2,376.7 million for the year ended 31 December 2021. The profit attributable to owners of the Company decreased by approximately 21.1% from approximately RMB1,192.5 million for the year ended 31 December 2020 to approximately RMB941.5 million for the year ended 31 December 2021.

The basic and diluted earnings per share of the Company is RMB0.35 per share for the year ended 31 December 2021, representing a decrease of approximately 20.5% from RMB0.44 per share for the year ended 31 December 2020.

Liquidity and financial resources

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development.

During the year ended 31 December 2021, the Group funded its operations, working capital, capital expenditure and other capital requirements primarily from cash generated from its operations, mainly including proceeds from the pre-sales and sales of properties, receipt of rental income, income generated from investment properties, as well as bank loans and borrowings from other financial institutions.

As of 31 December 2021, the Group had a total cash and cash equivalents and restricted cash of approximately RMB17,563.2 million as compared to approximately RMB15,648.2 million as of 31 December 2020. The increase was primarily due to the increase in proceeds from sales of properties. Substantially all of the Group's cash and cash equivalents are denominated in RMB, USD and HKD.

During the year ended 31 December 2021, addition of borrowings from banks and other financial institutions obtained by the Group amounted to approximately RMB27,557.1 million and reduction of borrowings from banks and other financial institutions was approximately RMB22,348.4 million. As of 31 December 2021, the Group's total borrowings from bank and other financial institutions amounted to approximately RMB30,896.8 million, representing an increase of approximately 20.3% compared to approximately RMB25,688.1 million as of 31 December 2020. Amongst the borrowings from banks and other financial institutions, approximately RMB15,764.1 million (as at 31 December 2020: approximately RMB8,738.5 million) will be repayable within one year and approximately RMB15,132.8 million (as at 31 December 2020: approximately RMB16,949.6 million) will be repayable after one year.

As of 31 December 2021, the Group had total facilities from banks and other financial institutions of approximately RMB35,027 million and unused facilities from bank and other financial institutions of approximately RMB2,531 million.

Credit rating

Our international credit rating agencies endorsed the efforts of the Company in sales execution, satisfactory cash collection record and disciplined land acquisition. During the year ended 31 December 2021, Standard & Poor's, Moody's and Lianhe Ratings Global assigned the Company's issuer credit rating at "B" (with "Negative" outlook), "B2" (with "Stable" outlook) and "BB-" (with "Stable" outlook) respectively.

Senior notes

In January 2021, the Company issued senior notes with a principal amount of US\$150 million due in December 2022 (the "**2022 Senior Notes II**") which were listed on the Stock Exchange (Stock Code: 40497) on 14 January 2021. The 2022 Senior Notes II, bearing interest at a fixed rate of 9.95% per annum with interest payable semi-annually in arrears, will mature in December 2022.

The issuance of the 2022 Senior Notes II was for the purpose of supplementing existing onshore indebtedness, refinancing working capital purposes and repayment of existing offshore indebtedness.

Key financial ratios

As of 31 December 2021, the Group's net gearing ratio (calculated as the total interest-bearing debts net of restricted cash, cash and cash equivalents divided by total equity) was approximately 63.0%, a decrease of 12.0 percentage points as compared with approximately 75.0% as of 31 December 2020. The decrease was primarily attributable to the slight increase in percentage of borrowings for land acquisition and property development while offset by more increase in percentage of total equity during the year. The financial leverage of the Group is currently at a stable and healthy level.

The Group's current ratio was calculated based on its total current assets divided by its total current liabilities as of the respective dates. The Group's current ratio had slightly decreased from approximately 1.38 times as of 31 December 2020 to approximately 1.31 times as of 31 December 2021.

Foreign exchange risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group did not have any other material direct exposure to foreign exchange fluctuations for the year ended 31 December 2021. Although RMB depreciated against U.S. dollar and Hong Kong dollar in 2021, the Directors expect that such fluctuation of RMB's exchange rate would not have material adverse effects on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

Pledge of assets

As of 31 December 2021, certain of the Group's borrowings from bank and other financial institutions were secured by its properties held for sale, properties under development, land use rights and investment properties, with carrying value of approximately RMB42,976.3 million as of 31 December 2021 (31 December 2020: approximately RMB31,585.7 million). The Group's equity interests in certain subsidiaries were pledged as security for borrowing as at 31 December 2021.

Commitments

As of 31 December 2021, the Group had commitments that are contracted but not provided as follows:

	December 31, 2021 <i>(RMB'000)</i> <i>(unaudited)</i>	December 31, 2020 <i>(RMB'000)</i> <i>(audited)</i>
Property development activities	14,322,280	12,320,814
Property, plant and equipment	22,593	11,029
Investments in joint ventures and associates	1,970,372	1,313,398
Investment properties	87,708	198,992
Total	<u>16,402,953</u>	<u>13,844,233</u>

Financial guarantees and contingent liabilities

As of 31 December 2021, the Group's total financial guarantees are as follows:

	December 31, 2021 <i>(RMB'000)</i> <i>(unaudited)</i>	December 31, 2020 <i>(RMB'000)</i> <i>(audited)</i>
Guarantee in respect of mortgage facilities for certain purchasers	17,182,006	14,605,341
Guarantee provided for the borrowings of joint ventures and associates	5,100,166	3,181,893
Guarantee provided for the borrowings of entity controlled by Mr. Hu	80,000	—
Total	<u>22,362,172</u>	<u>17,787,234</u>

The Group has arranged bank mortgage financing for certain purchasers of the Group's property units and provided guarantees to the relevant banks to secure repayment obligations of such purchasers. As of 31 December 2021, the maximum amount of guarantees provided by the Group to the relevant banks for the mortgage arrangements of the Group's purchasers amounted to approximately RMB17,182.0 million (31 December 2020: approximately RMB14,605.3 million). These include guarantees which will be terminated upon the earlier of the following two dates: (i) the date when the property ownership rights are transferred to the purchasers, and the related building ownership certificates to which banks are beneficiaries are registered, or (ii) the date when mortgage loans are settled between the mortgagee banks and the purchasers, under the circumstance that the purchasers pay off the purchase price in advance.

Pursuant to the terms of these guarantees, if any of the Group's property purchasers default in their repayment obligations to the banks, the Group is responsible for repaying the outstanding mortgage principal together with accrued interest and penalty owed by the defaulting purchasers to the banks and thereupon the Group is entitled to take over the legal title and possession of the relevant property units. The Group's guarantee period starts from the dates of grant of the mortgage facilities to its purchasers by the relevant banks.

The Group provided guarantees for borrowings of its joint ventures and associates, which amounted to approximately RMB5,100.2 million as of 31 December 2021 (31 December 2020: approximately RMB3,181.9 million). The relevant borrowings were primarily from banks to finance property development projects of these joint ventures and associates, whereby the land use rights of the joint ventures and associates were pledged to the banks and the Group's guarantee was provided in addition to the pledges. As the fair value of the relevant land use rights pledged by the relevant joint ventures and associates are generally higher than the borrowing amounts, the Group's credit risk exposure associated with such guarantee is contained.

As of 31 December 2021, the Group had no other material contingent liabilities.

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures

As of 31 December 2021, the Group did not have any individual investments with a fair value of 5% or more of its total assets. Accordingly, the Group did not hold any significant investments during the Reporting Period.

For the year ended 31 December 2021, the Group had entered into the following material acquisitions and disposals:

On 21 May 2021, Zhangzhou Jingfa Properties Co., Ltd., (a company established under the laws of the PRC with limited liability) ("**Zhangzhou Jingfa**"), Dexin Real Estate Group Co., Ltd. (a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company), Hangzhou Decheng Enterprise Management Co., Ltd., (a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Dexin Real Estate Group Co., Ltd. ("**Hangzhou Decheng**")) and Zhangzhou Wanjia Properties Co., Ltd. (a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Zhangzhou Jingfa (the "**Project Company**")) entered into the Cooperation Agreement, pursuant to which Hangzhou Decheng agreed to contribute RMB37,140,000 to the registered capital of the Project Company, after which the Project Company will be held by Zhangzhou Jingfa and Hangzhou Decheng as to 35% and 65%, respectively.

On 29 June 2021, Dexin Property Commercial Group Co., Ltd. (being a non-wholly-owned subsidiary of the Company) (“**Dothink Group**”) and Dexin Holding Group Limited (“**Dexin Holding**”) entered into the Equity Transfer Agreement, pursuant to which Dexin Property Commercial Group Co., Ltd. agreed to transfer 100% of the equity interest in the Hangzhou Changying Commercial Management Co., Ltd. (the “**Target Company**”) to Dexin Holding at a consideration of RMB56,799,000. Upon completion of the transaction, the Target Company will cease to be a subsidiary of Dothink Group and the Company.

On 29 June 2021, Dexin Real Estate Group Co., Ltd. (“**Dexin Real Estate**”) and Zhejiang Qingjiao Cultural Development Co., Ltd. entered into the Guarantee Fee Agreement where the loan amounted to RMB100,000,000 and being corporate guaranteed by Dexin Real Estate.

Pursuant to the Guarantee Fee Agreement:

- (1) the parties agreed that the amount of the Guarantee will be capped at RMB100 million; and
- (2) Zhejiang Qingjiao Cultural Development Co., Ltd. will pay the Guarantee Fee to Dexin Property Commercial Group Co., Ltd. of 1.0% per annum of the outstanding bank balance of the Guarantee until the Loan is fully settled by the said subsidiary of Hangzhou Changying Commercial Management Co., Ltd..

For further details of the aforesaid material acquisitions and disposals, please refer to the announcements of the Company dated 21 May 2021 and 29 June 2021, respectively. Unless otherwise defined, capitalised terms used in this section shall have the same meanings as defined in the aforesaid announcements.

Save as aforesaid, there was no other material acquisition and disposal of subsidiaries, associates or joint ventures by the Group during the Reporting Period.

Future plans for material investments

The Group will continue to invest in its property development projects and acquire suitable land parcels, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group did not have any future plans for material investments as of the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

The Group firmly believes that talent is the most important corporate resource and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. As of 31 December 2021, the Group had a total of 2,476 (31 December 2020: 2,147) employees, around 60% of which have a bachelor’s degree or above, forming a team of young, highly educated and high-quality personnel. Total expenditure on salary and welfare of the Group’s employees for the year ended 31 December 2021 amounted to approximately RMB860.6 million (for the year ended 31 December 2020: approximately RMB636.2 million).

Besides, the Group endeavors to establish an incentive system aligned to the corporate development objective to improve employee engagement. Meanwhile, with an aim to establish an open-ended organization, the Group keeps optimizing the organizational structure, empowering the base-level employees and improving efficiency.

The Group has adopted a system of determining the remuneration of employees based on the performance of employees. In general, the Group provides competitive remuneration packages to employees, which include basic salaries, performance-based rewards and year-end bonus. The Group also pays social security insurance for the Group's employees, including medical insurance, work-related injury insurance, endowment insurance, maternity insurance, unemployment insurance and housing funds. In addition, the Group has formulated a project co-investment scheme and has adopted a share option scheme on 11 January 2019 to fully enhance the enthusiasm of the Group's employees.

In respect of employee trainings, the Group provides consistent and systematic trainings to employees according to their positions and expertise in order to improve their expertise in the real estate industry and related sectors. As of 31 December 2021, the Group provided 228 in-class trainings or professional lectures, to a total of approximately 2,476 employees.

FUTURE PROSPECTS

Looking ahead to 2022, the real estate policy will continue to adhere to the keynote of “housing is used for living, not for speculation” and “stabilizing the land premium, house price and market expectations”, and the real estate market will continue to develop in a healthy, stable and rational manner. Led by the current housing policy, the leveraged operation model with high debt over the past is no longer sustainable. The Group will develop high-quality products as its goal, strictly control relevant operational, financial and liquidity risks, and adhere to the operating philosophy of marathon to achieve quality growth.

The Yangtze River Delta Region, as the largest economic circle in China, accounts for approximately one-fourth of the country's GDP. The Group has been focusing on the Yangtze River Delta Region for years, and will continue to seize the development opportunities in the region by leveraging on its local brand advantages, while expanding into other core and potential cities in China. The Group will always adhere to the philosophy of high-quality and standardized construction operation in the manufacturing industry, rely on years of extensive experience in development, management and operational capabilities, continue to expand into cities with diversified development potential, support the future sales growth of the Company with high-efficiency operation as well as destocking and recoveries outperforming the market level, and also respond to changes and control risks with prudent judgment.

The Group will continue to emphasize the quality management concept of “doing a good job of internal skills, developing steadily, sticking to customer needs as the center, and creating value for customers”, and adhere to the quality image of “Hangzhou workmanship”. Against the backdrop of the central government's general policy of stabilizing housing price, land premium and expectation and centralized land supply, the Group will persist in the steady development, adhere to the layout of “based in Zhejiang, established presence in the Yangtze River Delta Region and expanded coverage in the core cities of the four metropolitan areas”, stick to prudent financing, optimize the capital structure, continue to improve financing costs, deepen the “selective and strategic” capital cooperation strategy, so as to achieve a balanced development of scale, profit and brand, achieve quality and steady growth, and bring long-term and stable investment returns to all investors.

EVENTS AFTER REPORTING PERIOD

There are no important events after the Reporting Period and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2021.

DIVIDEND

The declaration and payment of a final dividend for the year ended 31 December 2021 will be announced in the 2021 audited annual results announcement, if any.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company had complied with the relevant code provisions contained in the CG Code for the year ended 31 December 2021.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year ended 31 December 2021.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Audit Committee of the Company had reviewed together with the management of the Company the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited annual results of the Group, for the year ended 31 December 2021.

As a result of the travel, logistics and other restrictions imposed in response to the recent COVID-19 outbreak in Mainland China and Hong Kong, the auditing process for the annual results for the financial year ended 31 December 2021 has not been completed as scheduled, mainly in respect of the confirmation procedures in connection with banks, customers, suppliers, partners and other parties. The express services in certain major cities in Mainland China (such as Hangzhou and Shanghai) where the Group operated and Hong Kong were closed. Staff of the Group at various places had been isolated at home or offices had been locked up for a long time. Certain subsidiaries had problems in affixing their corporate chops, which had resulted in the delay in issuing confirmation letters. Meanwhile, the receipt of confirmation letters from banks, customers, suppliers, partners and other parties was uncontrollable, which had resulted in the delay in the confirmation procedures. The unaudited results contained herein have not been agreed by the Auditors. An announcement relating to the audited results will be made when the auditing process has been completed. In addition, the Company will make further announcement(s) as and when necessary if there are other material developments in relation to the completion of the auditing process.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed by the Auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposal for the declaration of a final dividend for the year ended 31 December 2021, if any; (iii) the proposed date on which the forthcoming annual general meeting of the Company (the “AGM”) will be held; (iv) the period during which the register of members of the Company will be closed in order to determine the shareholders’ eligibility to attend and vote at the AGM; and (v) the period during which the register of members of the Company will be closed in order to determine the shareholders’ entitlement to the proposed final dividend for the year ended 31 December 2021, if any. In addition, the Company will make further announcement(s) as and when necessary if there are other material developments in relation to the completion of the auditing process.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.dothinkgroup.com). The annual report of the Company for the year ended 31 December 2021 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

The auditing process of the financial information of the Group for the year ended 31 December 2021 contained herein has not been fully completed. Therefore, the unaudited results contained herein have yet to be agreed with the Auditors as required under Rule 13.49(2) of the Listing Rules, and are subject to adjustments. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By Order of the Board
DEXIN CHINA HOLDINGS COMPANY LIMITED
Hu Yiping
Chairman

Hangzhou, the PRC, 30 March 2022

As of the date of this announcement, the Board of the Company comprises Mr. Hu Yiping, Mr. Fei Zhongmin and Ms. Shan Bei as executive Directors, Mr. Hu Shihao as a non-executive Director, and Dr. Wong Wing Kuen Albert, Mr. Ding Jiangang and Mr. Chen Hengliu as independent non-executive Directors.